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BUILDING AN ORGANIZATION

By MELVILLE W. MIX

MODERN BUSINESS
LECTURE No. 4

ALEXANDER HAMILTON INSTITUTE
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Building an Organization

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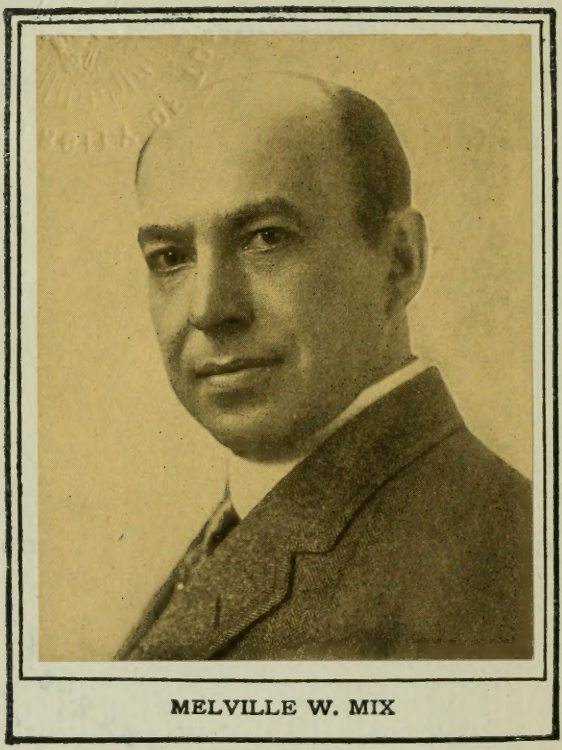

MELVILLE W. MIX

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Melville W. Mix was born November 16, 1865, in Atlanta, Illinois. He attended the Atlanta public schools, after which he served his apprenticeship as a tinner in a retail hardware store in Atlanta. From 1881 to 1885 he was a salesman in his father's hardware store. Locating in Mishawaka, Indiana, in 1886, as a clerk in the general offices of the Dodge Manufacturing Company, he remained there until 1890, when he was sent to Chicago as manager of the Chicago branch. After four years in this capacity he was called to Mishawaka on the death of Wallace H. Dodge, president of the company, and elected vice-president and general manager. In 1896 he was elected Mr. Dodge's successor as president and has held that position up to the present time.

He is a member of the Association of Mechanical Engineers and has taken a prominent part in its proceedings since 1893. He was elected president of the Indiana Manufacturers Association in 1910, and re-elected every year up to 1913. In 1909 he was president of the American Supply and Machinery Manufacturers Association and for a number of years has been vice-president from Indiana of the National Association of Manufacturers.

Governor Durbin appointed him member of the Louisiana Purchase Exposition Commission for Indiana. He held that office from 1903 to 1905. In 1913 Governor Ralston honored him with membership on a commission authorized by the legislature to investigate the laws and conditions of woman labor, with a view to recommending proper legislation in connection therewith in Indiana, and of this body he is now a member. He served two terms as Mayor of Mishawaka, being first elected in 1902. Besides being president of the Dodge Manufacturing Company, he is identified with a number of other industries and is interested in banking in Central Indiana.

In fraternal circles he is a member of the Indiana Consistory of the Murat Temple, and at Mishawaka, Commander of the Knights Templar. He holds memberships in a number of societies and business clubs at home and in various cities of the United States.

NOTE:—This Lecture, which is based upon the author's ripe experience in his special field, should be read in the light of the Modern Business Text, and should be studied as an authoritative message from the field of present-day business activity.

Building an Organization

By

MELVILLE W. MIX

In the first five years of this twentieth century we heard a great deal about the pinnacle of business development that had been reached in this country. Big business forced itself upon our attention. The great steel and harvester consolidations, the changes from short line to trunk line railroad systems, and a thousand smaller amalgamations seemed the very acme of organization development. During the years of expansion that followed the panic of 1893, clear up to the beginning of the tension that ended in the crash of 1907, one could find many men of big affairs and of wide business views who were willing to say "This is the top"; and they believed it true, both of the financial and the industrial world.

But we had not reached the end, nor are we to-day within sight of the end of our possibilities of development. New evidence is put before us every year. Why, despite those emphatic pronouncements of a decade or so ago, organizations like those of the leather industry and the corn products refining interests have gone steadily on. And in storekeeping, the Woolworth concern, the United Cigar Stores, the Liggett-Riker-Hegeman drug chain have all grown from scattered interests into mighty organizations.

Each year there are recorded in the United States Patent Office over 70,000 patent applications. Of these more than one-half are accepted and patent papers are granted to the inventors. In a single year there are started in the United States some fifty thousand new business enterprises. Every year has seen an increasing number of new business concerns. What today are considered mammoth enterprises will in five or ten years be surpassed by establishments twice or three times their size. No, there is no lack of opportunity for the expression of individuality, for the use of sound business training and for the application of tireless energy. The goal is today wider than it was fifty years ago; even tho it may be harder to reach. Business procedure is more complex than it was fifty years ago, and for that reason bigger men are needed to direct our business activities.

Seeing a Business Future

Bradstreet tells us that nearly eighty per cent of business failures are due to mismanagement—unskilful control, we might call it, tho in order to define this expression, we must go to actual cases and learn from example wherein skilled or unskilled control consists.

As one looks over the array of skilled controllers of great business machines—the successful organization builders whose names are known thruout the nation—it becomes a temptation to define mismanagement simply as inability to look ahead. Such men as

John Wanamaker, Henry Ford, John D. Rockefeller and the late J. J. Hill and Benjamin Altman, owe their great successes to their ability to see a vision of their future business and to perform each day's duties without ever losing sight of the potential force of every action. No matter under what heading a business failure may be classified—"lack of capital," "changing conditions," "lack of business knowledge," or what not—back of them all lies the one basic reason: lack of ability to look ahead.

The Business of Today

Business at its best today is only the half-completed outcome of generations of discovery and thought. It is the result of searching study of those factors which work continuously toward cutting off worn-out expedients, perfecting of methods and the addition of new elements.

It must not be supposed that because reference has been made to men and businesses of national fame, the same principle is not applicable all along the line of personal or corporate development. There is success to-day for the man who as a working unit of the machinery of a great corporate business can produce the idea that will result in the saving of even a half cent on each piece of the product. And still greater may be the success of that business, new or old, into which farsighted organization is introduced.

The question, "What kind of organization?" presents itself to thousands of men every day. It

may be in a department; it may be in the reorganization of an old business, or it may be in the establishment of a new business or branch.

What kind of foundation would you lay? What kind of organization would you establish to assure the successful operation of your business?

I have known concerns to erect large plants and to install expensive machinery with which to turn out a new product, only to find that the product could not be sold. The sales organization may have been responsible, or there may have been fundamental defects in the article itself, calling for reconstruction of the production department and possibly the replacement of some of the machines by others of different type. Sometimes it is not possible to foresee difficulties of this kind; but such cases are rare. Close analysis of business catastrophes has nearly always shown what steps could and should have been taken to avoid the disaster.

A Marketable Product

The two most important factors in a successful business are the product and the organization behind it. Before actually discussing the subject of organization, let me emphasize one preliminary fact that strikes me as being a fundamental and which should never be overlooked. This is that there must be a marketable idea. It is not much more than a decade ago since Henry Ford buzzed up and down the streets of Detroit in his "benzine-buggy." "A nuisance," everybody called him. But Mr. Ford

had a marketable idea. He developed it into a marketable product; and it was not until it actually was a marketable product that a company was organized to manufacture and distribute it. Today, the Ford company turns out over five hundred thousand cars a year. The Ford organization is almost perfect, and has been so almost from the beginning.

Thirty-odd years ago, the owner of a sawmill in Indiana awoke one morning to find his little plant in ashes. During the process of erecting a new shop and finding the necessary machinery, he encountered a peculiar problem in power transmission—namely a pressing need for some pulleys with which to connect up the new machinery which he had purchased from stock. The foundries and machine shops of those days did not manufacture pulleys for stock; and it would have taken three or four weeks to procure a delivery of those pulleys. There was no chance to obtain such pulleys from stock anywhere. Being a woodworker and knowing the possibilities of quick action in this case, he made some wooden pulleys. The shafting was in place, so they had to be made split—to clamp on the shaft. Here started the compression fastening for pulleys! There were various sizes of shafting in place and the machines could not be definitely located, so the pulleys were made up with larger bores than the largest shaft, and "bushings" were utilized to reduce the bores to fit the shafts at the points needed to serve the machines. Here was born the "interchangeable bushing system" whereby pulleys could be made for the future and

turned into stock—a decided innovation in the pulley business.

"Why should not other shops want to use such a pulley?" was the thought that suddenly flashed upon the mind of the resourceful sawmill owner. Thus was formed the basis of one of the most important items of machinery merchandising—a quick, practical service. After much testing and experimenting, the commercial value of the new pulley was definitely proved. That was the beginning of what is now the Dodge Manufacturing Company, which produces almost every kind of power transmission machinery in use.

Too many new articles placed on the market are undeveloped. Their enthusiastic sponsors go off half-cocked. This is ruinous. Thousands of dollars have been spent in advertising and attempting to sell articles that were not ready for the market. Sometimes, of course, it has been possible, with the expenditure of additional thousands, to turn into good-will the bad-will thus established, but in many cases the disaster has been complete and final.

Finding a Way Out

I have in mind a special kind of trunk which was guaranteed against injury at the hands of baggage-men and truck-men. There was every reason to believe that the peculiar construction of the trunk would resist the attacks made upon it during the ordinary journey by irresponsible, careless baggage-handlers. Now, it frequently happens that trunks

are not used immediately after they are purchased, and added to that, in this case, was the fact that the defect did not always show up on the trunk's first journey. It was not, therefore, until some time after this new line had been placed upon the market that complaints began to come in. In the meantime, thousands of trunks had been manufactured and sold, or were held in stock. It was found that a slight defect in construction was responsible for the trouble.

The guaranty was upheld and the damaged trunks were taken back. Fortunately, a reserve sufficient to take care of this emergency had been set aside; nevertheless, the loss was enormous. All this might easily have been avoided if the trunk had been sufficiently tested in advance. As a matter of fact, it had been dropped from roofs and handled as roughly as possible about the plant; but it had never been given continuous journeys around the world or their equivalent in incidental travel before being offered for sale. In this case, no more serious effect than a direct money loss was occasioned. More often, however, it is utterly impossible to "come back." A dissatisfied customer can do more harm than will be offset by a hundred satisfied customers.

I should, therefore, put it down as perhaps the most important principle to be observed in the establishment of a new concern, that the product must be tested in every conceivable way, but most important of all in the way in which it is actually to be used, before it is offered to the public. The extremes to which such tests are sometimes carried might seem

almost ridiculous. But no matter; for customers sometimes seem to do the most ridiculous things with the goods they buy.

An Effective Organization

If you have an article or a service that is salable—and by that I mean really useful to society—your next problem is to plan an organization to manufacture and place the article on sale or to organize your service. For, no matter how good your product may be, without an effective organization behind it, you may as well put it on the shelf. No patent bearings, no special pulley, no cash register, however much the public may need these articles, will manufacture and market themselves. Haphazard, unorganized effort to develop a new article is often worse than no effort at all.

What type of organization, then, should a young concern establish? There is, of course, no ready-made answer to this question, any more than there are definite answers generally applicable to such questions as "Should a concern sell through a wholesale agency or by mail?" "Should discounts be allowed?" "Should employes be paid on a day rate, piece work or bonus system?" Questions of so broad a character cannot be correctly answered until a study of the individual problem has been made. It is equally impossible to lay down a type of organization for all kinds and sizes of business concerns.

Tho the ideal may seldom or never be realized, and tho permanence of organization is well nigh impossible amid the constantly shifting circumstances of modern business, there are nevertheless certain basic considerations which must be held in correct relation to one another in the establishment or operation of any enterprise. I refer to the material elements, not to the human forces of business. These we might summarize as follows:

Capital
Sources of raw materials
Sources of power
Physicial surroundings of the plant
Market from which labor may be drawn
Transportation facilities
Market for the product

It is obvious that anything approaching a full discussion of these topics is impossible within the limits of a lecture. That of capital alone might well take all the space available here. How many firms with their capital firmly fixed in manufacturing plant and equipment have gone to the wall or seen the chance of brilliant success slip by for want of available working capital? One could compile a long and discouraging list.

The other six factors referred to a moment ago, tho interrelated from start to finish, naturally divide themselves into three groups of two's. It is impossible to consider the sources of raw materials without finding the coincident factor of power supply

thrusting itself in. Shall the plant go to the wheat field or the cotton field; to the coal mine, or the water power? From two different groups of economists you may hear arguments for both procedures, and as each group may cite the location of cotton mills in the revivified South and that of the steel industries where coal and iron are at hand, it is not hard to realize that the arguments are badly mixed and that the making of generalizations is an extremely unprofitable undertaking. The reader undoubtedly recalls the interest displayed in the question of establishing steel mills at tide-water. This brings in our third group, transportation facilities and the market for the product. Bearing upon all considerations of raw material and power is the question whether we shall bring large quantities of commodity-rate materials to our plants for manufacture, or send smaller quantities of higher rate class freight to the market from a plant which has its materials right at hand. Clearly, of no invariable solution to this problem can one cry, "I have found it." The variety of the elements is too great.

As if the inconstant features of these four important elements were not in themselves sufficient, hinging upon them and to a greater or lesser extent influencing them, is our second group, the physical surroundings of the plant and the available labor supply. As a grand total of all these physical components, we have a problem which is in every case as individual as the men who must solve it. In the end, how the organization will meet and answer the questions put

before it depends entirely upon the men of which it is composed.

Manning the Organization

There may possibly be a few varieties of business enterprise that need only the executive element in control. If there are such, they are so rare that none comes to mind readily. That business contains an immense class of activities which require the combined skill of the executive and the financial man is beyond contradiction. The most complicated of all, however, is that enterprise which is founded upon a specialty article as machinery, motor cars, typewriters, cash registers, adding machines or the like. This should have at the head of its organization a combination of three types of mind; the inventive, the financial, and the executive.

The Inventor

A product that is primarily the result of invention needs to be constantly studied, experimented with and improved. Where that is not done, other inventions will soon supersede it and drive it off the market. To carry on this work effectively, a mechancial genius is usually required. Such men, however, are frequently visionary; they have rarely had a business training. They are seldom capable of co-ordinating and controlling the many and complex factors that go to make up a successful manufacturing institution, yet they are an essential part of such an organization. In this connection I cannot

do better than to quote part of a letter written some time ago by Waldemar Kaempffert, managing editor of the *Scientific American*. Tho Mr. Kaempffert here speaks of inventors in the employ of corporations of national proportions, his statements apply equally well to the smaller concerns of the United States. He says:

The work which inventors of large corporations are doing could never be accomplished by independent inventors of ordinary means. In developing what is known as the "Rex" pulling-over machine, for example, a machine which is to be found in every well equipped modern shoe factory, the hired inventors of the United Shoe Machinery Company spent no less than $1,000,000. They solved the problem which independent inventors had long given up as hopelessly impossible. Similarly the development of the tungsten filament lamp was rendered possible only by the expenditure of millions of dollars on both sides of the Atlantic Ocean in research laboratories maintained by the great electrical companies of Europe and America at enormous expense.

The truth is that after a great pioneer invention has been conceived, problems are encountered which it is impossible for a single man to solve. Thus, after Alexander Graham Bell gave the world a telephone, which in its initial stage could hardly transmit speech, other men had to be engaged in order to reduce the invention to commercial practicability. One of these men, to whom we really owe the modern telephone, is Thomas A. Edison, altho the general public does not know it. Edison was engaged by the original promoters of the telephone to make the instrument commercial. Since his time equally brilliant but more obscure men have devoted their lives to the improvement of the telphone, men who do nothing but invent telephone systems to meet the needs of the future. Such men are Charles Scribner, J. J. Carty, William Dean

and others. Mr. Scribner alone has taken out about 1,000 patents on telephones.

In the development of the tungsten filament lamp, which is a vast improvement over the carbon filament lamp that Edison gave us twenty years ago, it has been necessary to conduct research in metallurgy, chemistry, physics, optics, physiology, psychology, spectroscopy, microscopy, and half a dozen other sciences. The task of giving the world such inventions is so complex, so huge, that an independent inventor with the fortune of a Rockefeller could never hope to cope with it. He has not brains enough. The problem must be divided among a hundred specialists, each of whom solves the little problem assigned to him.

The Financial Man

But if the inventor is a necessary factor in successful arrangement, the financial man—the capitalist—is no less so. If, as is often the case, the concern is financed by a large number of individual persons there should be someone with the ability to find and tap the sources from which funds may be made to flow. Frequently, however, single individuals or a small group of men with money become interested in a new product which bids fair to form the basis of a profitable, growing concern. The fact that they have the money often gives them control. This has more than once proved disastrous to the enterprise.

The capitalist is likely to regard the proposition merely from an investment point of view. He has contributed so much money which should return so many per cent. Either he becomes impatient if returns do not come with sufficient rapidity, or he shares the inventor's enthusiasm and pours enough money

into the enterprise to erect a large plant with an enormous capacity, entirely overlooking the fact that it takes a well trained sales organization to dispose of this huge output. This has been clearly demonstrated over and over again. A large tire company not long ago ran into financial difficulties because it was dominated by financial men who were interested in the product primarily because of its investment features. The financier looking for quick returns frequently neglects some of the sound, fundamental policies that look to the permanent building of the concern.

As an example of this extreme, you can see in the yards of one of the large agricultural implement manufacturing concerns in this country, quantities of a certain type of farm machinery which capital has built, but has not been able to sell.

Sometimes, as was the case with a certain western watch company, several years must elapse before a product and the organization behind it are developed to a point where profits may be expected. This may be due to a long, complex process of manufacture. The aforesaid watch, for example, is in process of manufacture during a period of from six months to a year. In other cases, where the manufacturing time is shorter, the selling activities may require a much longer period. At any rate, it is important that the business policy designed to aid in building a permanently successful enterprise should suppress as long as necessary the capitalistic desire for immediate or large returns.

It is not always the best thing for an enterprise to be supplied with a large amount of money on the assumption that if $1,000 will produce a dividend of $100, $1,000,000 ought to yield a return of $100,000. As a matter of fact, if you will go over the histories of our successful concerns, you will find that during their early days, most of them struggled at times to meet their payrolls. The Canadian Pacific Railroad, for example, has more than once been on the verge of failure, owing to lack of available funds. At one time its paymasters were in danger of receiving personal injuries at the hands of laborers who had not received their wages. I am told that the Ford Motor Company also in the beginning had to struggle for funds. It would be possible to cite off-hand a dozen instances of early struggles on the part of concerns that today are in a flourishing condition and, in many cases, among the leaders in their fields.

Strength from Early Struggles

It seems to me, that in a general way it is true of businesses, as it is of individuals, that where the conditions demand a severe struggle to avoid extinction, those drawn into the struggle are thereby given a training which they could not otherwise hope to get—a training that equips them to meet future problems with a confidence based upon previous success under adverse circumstances. Moreover, there is the love of the game, the satisfaction in having won a fair fight! Nothing binds men together in a common cause, nothing insures their loyalty more than a

united struggle for that cause. I believe that a concern with too much money at the start forfeits some of the most virile forces it might otherwise command.

There comes a time in nearly every business, whether large or small, when it is easier to abandon the field than to fight doggedly until reenforcements come up. The story has been told of a printer who "long on enthusiasm and short on cash," bought a printing outfit—largely on time and faith—and started a paper in a western town.

It was one of those made-to-order towns, created because the railroad wanted shops and division headquarters at that point. A big irrigation project was under way, but still unfinished. It was a wonderful "future" for a printing house, but a most discouraging "present." Creditors became restless and began to threaten foreclosure. It was a daily struggle to meet the necessary expenditures, but the printer's confidence in the town and in his own ability to master the situation never wavered. Things had reached a desperate stage when he worked out a plan and laid it before the district superintendent of the railroad. Here he met his first encouragement and was given a letter to the general manager of the road, whose headquarters were in the nearest large city, nearly three hundred miles east. The printer went to the general manager and presented his case so convincingly that this official in turn gave him credentials and transportation to Omaha, where he went to make his peace with the restless creditors.

"Instead of paying what I owe, I have come to ask for more credit," the printer explained to the credit manager of the type founders, who promptly expressed himself in unexpurgated language at this display of "nerve."

"Well, here's the situation," the printer explained when the wrath of the credit man had spent itself. "I can just about exist out there, and that is all. I couldn't clear enough in a year to make a single monthly payment the way things are now. But the town is so sure to grow that I am not only willing but anxious to hang on, even tho I don't make a cent more than my living for a while.

"Now the railroad is very anxious to have a newspaper there—appreciates what it can do in the development of the town—and the officials are willing to throw me a lot of printing to help things along; for one thing, the division time-tables—which is a good, fat job—and then they agree to give me a nice line of tariff work and other forms if I am equipped to handle it.

"So, here's the situation: You can foreclose, take your material and pocket the loss, which will be considerable. Or you can stake me for a pony cylinder, time-table figures, brass rules and other material necessary for handling the railroad work. I can scrape a living out of the newspaper, and I agree to pay you each month every cent I make on the railroad work.

"The company has no interest in the Denver shop that does its work—in fact it has been thrown down

on several important jobs—and the general manager has agreed to this proposition."

"But up where you are," interposed the credit man, "the freight rates on paper would be so high you couldn't compete with a Denver house and have any profit left."

"I've arranged all that. The company will buy the stock they need direct of the wholesale house and deadhead it thru—it will be company property, and they will save the ten per cent which printers charge for carrying stock."

The outcome was that the notes were extended and additional equipment was shipped. Slowly the editor pulled out of the hole, and when the "boom" finally came, he was entrenched and in a position to make the most out of it. Today he has a thriving daily and a large job printing business. He found his way out by going deeper into debt, taking on a heavier load, thereby intensifying the struggle; but in so doing he put a fighting quality behind his business that was bound to carry it far and safely.

The Executive

To stand between the inventive influences on the one hand, and the financial influences on the other, also to stand between the business as a whole and the public at large, requires a man of the executive type of mind—an organizer and a manager. His problem is to utilize the services of both the inventor and the financial interests and to bring them into harmony with the general policy of the business. It is his

work to gather into a well-balanced whole the separate units necessary to form an effective and profitable business organization. Each unit must be properly placed in relation to all the other units and in relation to the work it is called upon to perform. This is true of human units as well as of those of inanimate character. Finally, he must direct this body of working units, he must lead it, energize it, stimulate it to do constructive work as well as to follow instructions; he must establish standards to which it may aspire; he must measure here and weigh there—in short, our executive must see that his ship is properly built, equipped and manned, that he has a reliable chart of the business seas and that the vessel is sailing along a safe course toward a predetermined harbor.

It is dangerous to place the control of a business in the hands of an immature executive. Breadth of vision, knowledge of fundamental business principles, experience which probably includes some failures from which personal lessons have been drawn, and above all, the possession of what is known as the "human touch," must be present in goodly portions in the make-up of a real executive.

The Human Quality

Let me dwell a moment on this subject of the human element. I lose patience with the men who tho apparently successful say that there is no sentiment in business.

Deliver me from contact with any organization—

social, political or commercial—in which the dominating influence is characterized by an arterial circulation of ice water! It doesn't get anywhere. It chills everyone who comes in contact with it. That fine spirit of cooperation and loyalty that is expressed in the very movement of its members, you will find only in those organizations where the human element is taken into account and made prominent. In such an organization the men are not afraid of losing their jobs. There is a pleasant, healthy atmosphere about the plant and offices. Work goes on smoothly and steadily. There is little or no evidence of envy, ill-will or friction; and woe to the man who in the presence of an employe of such a concern criticizes the management! Every organization reflects the personality of the man at the head. And where you find an organization such as I have just described, you will also find at its head an executive of the big, human, whole-hearted type.

Two Types of Management

If I were to classify the various types of management, I should separate them into two broad divisions—indirect and direct. The indirect form is represented where the executive offices are in large cities, with plants and sales forces scattered about the country. Here the executive is far removed from the scene of operation. In the direct type the office is located in the plant where the executive can hear the hum of the machinery, call in this or that foreman, confer with the sales manager, discuss financial

and accounting problems with the treasurer and accountant, and interview the buyer, all in one morning. This, in my opinion, is the ideal type of management. I doubt whether the Standard Oil Company today is as efficiently managed as it was when Mr. Rockefeller was the dominant influence, or whether the Sugar Trust is as well handled from the owner's point of view as it was in the days of Mr. Havemeyer's administration. It is useless to deny, however, that the general tendency of our times toward centralization is operating in this field also. Many concerns which formerly enjoyed direct management, now find all the managerial functions exercised from a city office, which may direct at the same time the operations of several other manufacturing plants. Altho, of course, this takes out of the concern that personal element which is so highly desirable, it permits of economies that were impossible under the direct form of management.

In a new organization, unless it be planned on a stupendous scale, direct management is usually the most advantageous as well as the most easily designed. As a business grows and expands, either from its original plant as a nucleus, or by the erection or acquirement of distant branch plants, centralized management is sure to follow, perhaps in part only, but more likely in entirety.

"Bill"

Without doubt, the most serious loss in indirect management is that of the personal touch between

executive and operative. It is astonishing how many active executives find time for the closest personal interest in the employes of their concerns.

In Illinois there is such an executive that I know about. His home is within a stone's throw of the plant. Hardly a Sunday passes without a visit from one or two of the employes, coming for personal advice. Occasionally, a man and his wife do not agree, and our friend is called upon to patch up the domestic trouble. Now and then a mill-hand with an occasional fondness for liquid somewhat stronger than tea comes around shamefacedly, acknowledging his shortcoming. Instead of delivering a temperance lecture, the "boss" smiles at him, but at the same time makes sure that his private brand of reproof has taken effect. It is all done in good nature. He even offers to wager a quarter that Bill won't be around on time next morning. That is more likely to put Bill on his mettle than anything else and seven o'clock next morning, sure enough, he is back at work, more enthusiastic than ever. There isn't a thing Bill wouldn't do for the boss. He is not, of course, a chronic drinker. He is not a bad influence upon the rest of the organization—if he were he would not be tolerated at all. I should almost be willing to challenge any strike organizer to attempt to disrupt that organization. The men themselves would, I am sure, run him out of town in short order.

As a concern grows, the executive finds himself farther and farther removed from the employes and

from the actual details of operating the business: indirect management becomes a necessity. He should then be represented by lieutenants who are able to keep alive this human quality which I consider so necessary a part of an efficient organization. One big chain-store enterprise with head office in New York City keeps the personal element alive by placing each of its eleven directors in charge of a department or an important branch of the business. Here, tho the management is necessarily indirect, a lot of personality and enthusiasm is continuously flowing from headquarters down thru the organization.

Preventing Losses in the Beginning

So much for the administrative part of a business machine. A new concern, just starting out, cannot, of course, at once build a complete organization to handle the production, sales, financial, accounting and office work. There would not be enough work to keep experts in each of these fields busy. It would be poor business policy to do more than lay the groundwork upon which such a complete organization can be built when it is needed. The true executive will, however, see to it that the production and sales ends of the business are, at the outset, planned as carefully as it is possible to plan them.

It is usually best to start in a small way, manufacturing only a small quantity of the new article. Frequently it is even wise to have the first lot made

by another concern, to avoid the expense of erecting a manufacturing plant that may not be right. Then, before entering into an extensive advertising and sales campaign, it is frequently wise to send capable salesmen into a trial territory where not much harm will be done in case the experiment should prove unsuccessful or in case, tho partly successful, it should reveal fundamental weaknesses in the product or in the selling plan. If the product is to be sold primarily thru advertising and circularizing, the same experimental campaign in a small territory can be profitably adopted. The Thermos and the Anticor people, even after they were assured that their products were marketable, continued the plan of developing sales in one limited territory at a time.

After the preliminary skirmishing is completed, and your process of production as well as the sales plan have proved to be right, it is time to map out a compact, well-balanced and well-trained organization. Here again the 44-caliber executive has a big opportunity to exercise keen power of analysis and farsightedness, coupled with imagination that visualizes the growth of a ten-acre plant from, perhaps, a dingy loft, and the ability to select and coordinate both human and physical units of the right sort. Such an executive will surround himself with an organization that is capable of expanding as the business expands. Harriman, Morgan, Carnegie and many other notably successful men have followed this course.

The production department, for example, should be placed in charge of a skilled young man, alive to the rapid changes constantly taking place in business—one who is ambitious enough to become thoroly familiar with the most approved methods of manufacturing and to study the broader phases of business so that he will some day be in a position to move ahead and, possibly, take a large part of the administrative duties from the shoulders of the present executive head. As time goes on, other men of the wide-awake type should be added as the demand for them arises.

I do not believe it would be evidence of good management to start out with the fixed idea that the factory is to be run under a military system, a committee system or a staff and line plan such as Taylor advocates. Nor can it always be decided, at the outset, whether day rate, piece work or bonus systems of wage payment should be established. It is possible, however, to determine from the start that you will establish a plan of wages that will give the worker an incentive to do his best, both as to quantity and quality of his output. It is also possible to establish definitely the principle that employes are to be instructed and led—not driven. It is wise to establish a policy of selecting men and placing them in positions for which they are by nature fitted. The wise executive will be interested in movements designed to aid progress in business; such movements, for example, as the National Association of Corpora-

tion Schools, the National Conservation and Accident Prevention Associations, Associated Advertising Clubs of the World, and the like. And he will by all means maintain active relations with all trade associations that are related to his product or to the business of his customers.

The Sales Department

In the sales department, the type of organization required depends, of course, entirely upon the sales plan. In a case where individual salesmanship is the backbone of the business structure and where high-class specialty salesmanship is required, it is generally a good plan to bring in three or four of the highest-grade salesmen obtainable, even tho it may be necessary to pay them extra high salaries or large commissions. These men set the pace for the future organization and will possibly be good material for district managers when the business becomes large enough to establish branch offices.

Since sales department organization depends so largely upon the sales policy, the character of the product and the territory to be covered, any outline that might be given here could only deal with generalizations and might be of doubtful value. The manufacturer, the jobber or wholesaler and the retailer must each have his own type of sales department organization, and tho this, of course, is merely a subsidiary branch of the general organization, that department presents a problem for separate consideration. Nor is it within the province of this

lecture to discuss the training and management of salesmen, except to point out that from the very beginning some definite plan of giving salesmen instruction of the right kind should be established.

Other Departments

The financial, accounting and office organizations should be planned with similar care. Systems of organizing the internal work so that it can be made to expand as required should be established—if necessary with the aid of outside experts. In selecting clerks to handle the routine, young men should be chosen who may later be given opportunity to go out into the field and into the plant in order to become familiar with conditions in these two important parts of the business.

It is difficult, I think, to form a comprehensive idea of the vast amount of latent power, impatient to be free, in the persons of our young business men. What a reservoir of energy is represented here! Tomorrow the business community will draw upon it.

One sometimes wonders whether the ambitious department heads and junior executives of today will be able to find enough opportunities on which to exercise their powers. Will not the majority of these human power plants be directed into narrow channels? I am convinced that the answer to the question is an emphatic "No."

The field of modern business is so wide and so rapidly expanding that the man of trained abilities and with a fertile brain—be he an executive in charge

of weighty affairs or merely a junior in the ranks—need not fear that in the great organizations of today or in the mightier organizations of tomorrow there will not be ample room for his ability and training. The far-seeing executive turns to profit the energies and ambitions of the young men in the combination of forces over which he presides.

The majority of business failures may be traced to the laying of an unstable foundation in the beginning. Tho there are other factors to be considered in addition to those I have mentioned, they all lead back to two simple principles: "Be sure you are right and then go ahead," and "Plan your organization to fit your business, not only for today, but for the years ahead."

M. H. Mix

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